

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7492

Petition of Green Mountain Power Corporation for)
approval of the Efficiency Fund 2009 Annual Plan)

Order entered: 3/27/2009

I. INTRODUCTION

In Docket 7213, the Public Service Board's ("Board") investigation into the acquisition of Green Mountain Power Corporation ("GMP") by the Northern New England Energy Corporation, the Board approved a plan by GMP to invest approximately \$9.3 million of windfall profits in demand-side management, renewable energy, and other efficiency programs.¹ GMP referred to the money set aside for these purposes as the "Efficiency Fund." GMP has previously committed \$2.5 million of the Efficiency Fund to a low-income program and a transmission-class program. On March 14, 2008, the Board approved GMP's Efficiency Fund 2008 Annual Plan for a Residential Energy Services Program ("Residential Program") and a Business Energy Services Program ("Business Program").² On December 29, 2008, the Board approved the Evaluation and Verification Plan and associated budget for the five-year duration of the programs to be implemented under the Efficiency Fund.³

In our order approving GMP's 2008 Annual Plan, the Board discussed three concerns. First, the plan utilized electric ratepayer funds for non-electric efficiency measures. Second, the Board was also concerned that the proposed plan resulted in residential customers receiving an insufficient share of savings. Lastly, the Board questioned whether the proposed plan would meet the applicable test articulated by the Board in Docket 7213.⁴

1. Docket 7213, Order of 3/26/07 at 33.

2. Docket 7412, Order of 3/14/08 at 3.

3. Docket 7412, Order of 12/29/08 at 2.

4. Docket 7213, Order of 3/26/07 at 39.

On December 15, 2008, GMP filed its 2009 Annual Plan for the Residential and Business Programs. GMP requested that the implementation of these activities – which are the activities planned for Year Two of the Efficiency Fund programs – be shifted to a calendar year.⁵ The Board, after notice to parties in Docket 7213, conducted a workshop on February 25, 2009, to consider GMP's proposal. On March 11, 2009, GMP filed a revised 2009 Annual Plan ("Amended 2009 Annual Plan"). GMP indicated that the revisions were made to address concerns raised by the Department of Public Service ("Department"). On the same date, the Department filed a letter in support of GMP's Amended 2009 Annual Plan. The Department requested that GMP be permitted to exceed annual program budgets if customer demand for services in a given year is greater than originally anticipated in the annual plan. No other parties filed comments on the 2009 Annual Plan.

In this Order, the Board concludes that GMP's Amended 2009 Annual Plan should be approved on a calendar-year basis. We have also determined that GMP has taken sufficient steps to address our previously stated concerns with the 2008 Annual Plan.

II. FINDINGS

1. GMP proposes to implement the Year Two activities outlined in the 2009 Annual Plan through December 31, 2009. The shift to a calendar-year-based planning and evaluation cycle will allow the Efficiency Fund programs to be coordinated effectively with Efficiency Vermont's program planning and delivery, data management, and evaluation and verification activities. Amended 2009 Annual Plan at 2.

2. GMP expects to issue its first Efficiency Fund Annual Report summarizing the highlights from Year One activities in April 2009. Amended 2009 Annual Plan at 2.

3. GMP proposes to reduce the number of customers who are eligible for the Business Existing Facilities services under the 2009 Annual Plan. The reduction is due to the expansion of

5. Year One activities were initially approved to be implemented from March 2008 to March 2009. GMP requests that Year One activities be categorized as March 2008 through December 31, 2008, with Year Two activities to be implemented from January 1 through December 31, 2009.

Efficiency Vermont's geographically targeted services in part of the GMP service territory.⁶ Amended 2009 Annual Plan at 2.

4. No changes are proposed in the services offered under the Business Program for 2009. These services include high-efficiency upgrades as equipment reaches the end of its service life, and retrofit efficiency improvements. Amended 2009 Annual Plan at 4.

5. In 2009, the Residential Program will continue three initiatives begun in 2008:

- High-efficiency furnace replacement, with an increased penetration in the lost-opportunity market through contractor outreach and incentives covering the full incremental cost.
- Incentives on Blue Line⁷ real-time, end-use, monitoring devices, which enable customers to measure how much electricity each home product or appliance consumes.
- Energy-education workshops, combined with fundraisers using compact fluorescent lamps (CFLs), based on the Vermont Energy Education Program's curriculum in schools within the GMP service territory.

Amended 2009 Annual Plan at 5.

6. GMP plans to begin a fourth initiative under the Residential Program in 2009. This comprehensive, in-home, fuel-blind retrofit initiative includes no-cost energy audits for customers who install measures. The Efficiency Fund will contribute 100% of the cost of directly-installed electric efficiency measures and up to one-third of the cost of other qualifying electric and non-electric efficiency measures. Amended 2009 Annual Plan at 5.

7. GMP is proposing a not-to-exceed budget of \$30,000 for research and development efforts to expand residential services, including measure characterization, net-benefit analysis, and limited program pilots. GMP plans to reduce the budget for in-home retrofit incentives to fund these efforts. However, "if any of these measures do not meet GMP's net benefits test and

6. In the Board's Order of November 4, 2008, Efficiency Vermont was directed to continue using a portion of its budget to target its services in certain geographic areas across the state to reduce the impact of the electric load on constrained transmission and distribution systems. Efficiency Vermont was also directed to expand its geographic-targeting efforts in Chittenden County to include the areas serviced by the GMP Airport and Town Line substations.

7. Blue Line PowerCost Monitors are easy-to-install, high-tech devices that connect to the customer's electric meter and send a radio signal to an in-home display unit. The unit relays the real-time cost of electric use to the customer.

are not implemented, GMP will return any remaining funds to the original budgets." Amended 2009 Annual Plan at 8.

8. GMP is evaluating smart-power-supply units, clothes washer and dishwasher retrofits, and refrigerator turn-in programs. Measures deemed to be cost-effective and that can reasonably be implemented effectively will be reviewed by the Department through the Technical Reference Manual process. Amended 2009 Annual Plan at 9.

9. GMP is also examining the feasibility and potential net benefit generated through the installation of combined heat and power ("CHP") technology at the residential level. Pending the outcome of a feasibility study, GMP plans to create a limited pilot program to offer incentives to customers converting electric heat or inefficient gas-fired hot-air furnaces to natural-gas-fired CHP units. Amended 2009 Annual Plan at 9-10.

III. DISCUSSION

We have determined that the Amended 2009 Annual Plan provides sufficient benefits to GMP ratepayers to allow us to approve the plan. GMP requested that the implementation period for the activities proposed in the 2009 Annual Plan be shifted to a calendar year. We approve the implementation of the Year Two initiatives through December 31, 2009, so that GMP's Efficiency Fund programs can be coordinated more effectively with Efficiency Vermont's programs.

In our March 14, 2008, Order in Docket 7412, we approved the 2008 Annual Plan for Year One. However, we were concerned that the proposal would utilize electric ratepayer funds for non-electrical efficiency measures and that residential customers would not receive a proportionate share of savings.

A portion of the Year Two budget is dedicated to research and development on new ways to provide GMP's residential customers with services and measures that focus on electric savings. GMP also plans to explore the benefits and investment associated with CHP systems which could result in further electric savings for residential customers. The Department's March 11 letter states that it supports GMP's efforts to increase residential electric benefits, provided GMP continues to meet overall net-benefit requirements. These efforts adequately address our

concerns regarding non-electric efficiency measures and increasing savings for residential customers.

In the Order approving the 2008 Annual Plan, the Board determined that the overlap between GMP and Efficiency Vermont's programs would result in supplementing, rather than supplanting, Efficiency Vermont services within GMP's service territory. Accordingly, we concluded that GMP's proposal met the test established in Docket 7213.

GMP has taken steps to ensure that its proposal for Year Two also meets this test. In response to the expansion of a geographically targeted area in GMP's service territory, GMP is reducing the number of customers who are eligible for the Business Existing Facilities services. Also, GMP proposes to explore additional activities for the Residential Program and it appears that these efforts would result in new programs that are not currently delivered by Efficiency Vermont. GMP's original proposal included electric efficiency measures for Vermont Gas Systems customers. In its March 11 letter, the Department states that it had concerns that these customers would have been eligible to receive this service from statewide Efficiency Vermont programs. GMP removed this initiative in its amended plan. We conclude that the activities outlined in the Amended 2009 Annual Plan continue to supplement rather than supplant Efficiency Vermont services.

The Department recommended that GMP be permitted to exceed its budget in a given year if it is confident that the additional investments would produce net benefits for customers consistent with plan expectations. We agree that if customer demand for services provided under the Efficiency Fund exceeds projections for 2009, GMP should maintain stability in programs and not turn away customers. Our main concern is that GMP's customers receive the benefits of these funds and we see no adverse impact by allowing funds from 2010 to be used in 2009, particularly when ratepayers are facing difficult economic times now. We also recognize that there are costs associated with ending a program prematurely and benefits to providing continuity for a program. GMP should make year-to-year budget adjustments with the Department's concerns in mind. Budget changes should be reflected in GMP's annual reports and explained in future Efficiency Fund Annual Plans.

We approved the 2008 Annual Plan despite certain reservations because it was only the first year of a five-year program, and we would have the opportunity to review the efficacy of GMP's actions and evaluate whether adjustments are needed to address our concerns prior to approving any future Efficiency Fund Annual Plans. The results of the Year One activities have not yet been reported. GMP expects to file its Annual Report on those activities in April and the Department anticipates that the verification and evaluation will be completed in the Fall of 2009.⁸ We expect that GMP will analyze the results of Year One activities with our concerns in mind and adjust the programs for Year Three activities as necessary.

IV. CONCLUSION

For the foregoing reasons, we approve GMP's Efficiency Fund Amended 2009 Annual Plan.

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. Green Mountain Power Corporation's Efficiency Fund Amended 2009 Annual Plan, filed on March 11, 2009, is approved.
2. Initiatives under Green Mountain Power Corporation's Efficiency Fund Amended 2009 Annual Plan shall be implemented through December 31, 2009.

8. Letter of March 11, 2009, from Walter (TJ) Poor, DPS, to Susan M. Hudson, Clerk of the Board.

Dated at Montpelier, Vermont, this 27th day of March, 2009.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: March 27, 2009

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.